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THE *Demand and Price* SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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SUMMARY

Demand for farm products generally continues stable at a relatively high level. Prices received by farmers are likely to average close to present levels during the next two months.

Economic activity in January and early February maintained the relatively high level to which it had recovered in late 1949. Industrial production averaged higher in January than in December, but was probably somewhat lower in February as the result of curtailments in coal mining operations and automobile output. Construction activity declined less than seasonally from December and remained well above the level of January 1949. Consumer income is also high and is being augmented by veteran's insurance refunds, which are expected to increase the flow of income to individuals by approximately 3 percent during the first four or five months of the year. The general wholesale price level has been quite stable since November.

Unemployment rose to 4.5 million persons in early January, a postwar record. The rise was due largely to seasonal declines in farm and construction employment and the mid-winter lull in trade.

The value of U. S. agricultural exports in the second half of 1949 was the lowest since the end of the war, reflecting declines in both prices and quantities. The export value of foods in 1949 was 30 percent below the record export value in 1947. The decline in food exports reflects the marked improvement in agricultural output which has occurred in Western Europe. The value of cotton exports more than doubled from 1947 to 1949, but the value of tobacco exports declined 7 percent during the same period.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1948 Year	1949				1950 Jan.
			Jan.	Oct.	Nov.	Dec.	
Industrial production <u>1/</u>	1935-39	:					
Total.....	=100	: 192	191	166	173	180	183
All manufactures.....	do.	: 198	198	176	178	188	193
Durable goods.....	do.	: 225	227	175	183	204	210
Nondurable goods.....	do.	: 177	175	177	177	175	179
Minerals	do.	: 155	149	112	141	132	131
Construction activity <u>1/</u>	1935-39	:					
Contracts, total.....	=100	: 331	303	458	462	456	413
Contracts, residential.....	do.	: 397	326	659	627	625	596
Wholesale prices <u>2/</u>	:	:					
All commodities.....	1926=100	: 165	161	152	152	151	152
All commodities except farm and food.....	do.	: 151	149	145	145	146	146
Farm products.....	do.	: 188	172	160	157	155	155
Food.....	do.	: 179	166	160	159	156	155
Prices received and paid by farmers <u>3/</u>	1910-14	:					
Prices received, all prod.....	=100	: 285	265	242	237	233	235
Prices paid, interest, taxes and wages rates.....	do.	: 259	256	246	245	246	249
Parity ratio.....	do.	: 110	104	98	97	95	94
Consumers' price <u>2/</u> <u>4/</u>	1935-39	:					
Total.....	=100	: 171	171	168	169	168	167
Food.....	do.	: 210	205	201	201	197	196
Nonfood.....	do.	: 149	152	150	150	151	150
Income	:	:					
Nonagricultural payments <u>5/</u>	Bil. dol.	: 188.8	192.0	190.3	191.3	194.1	
Income of industrial workers <u>3/</u>	1935-39 =100	: 354	348	307	313	325	
Factory payrolls <u>2/</u>	do.	: 374	368	342	336	353	
Weekly earnings of factory workers <u>2/</u>	:	:					
All manufacturing.....	Dollars	: 54.14	55.50	55.26	54.53	56.20	
Durable goods.....	do.	: 57.11	58.83	58.17	57.00	59.31	
Nondurable goods	do.	: 50.61	51.35	52.55	52.02	53.02	
Employment	:	:					
Total civilian <u>6/</u>	Millions	: 59.4	57.4	59.0	59.5	58.6	56.9
Nonagricultural <u>6/</u>	do.	: 51.4	50.7	51.3	51.6	51.8	50.7
Agricultural <u>6/</u>	do.	: 8.0	6.8	7.7	7.9	6.8	6.2
Government finance (Federal) <u>7/</u>	:	:					
Income, cash operating.....	Mil. dol.	: 3,748	3,683	2,046	2,965		
Outgo, cash operating.....	dc.	: 3,075	2,855	3,268	3,430		
Net cash operating income or outgo.....	do.	: + 673	+ 829	-1,222	- 465		

Annual data for the years 1929-48 appear on page 29 of the March 1949 issue of The Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid interest, taxes and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively. 4/ Consumers' price index for moderate-income families in large cities. 5/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 6/ U. S. Dept. of Commerce, Bureau of the Census. 7/ U. S. Dept. of Treasury. Data for 1948 are on average monthly basis.

Commodity highlights

Prices of hogs and of the better grades of cattle are expected to decline seasonally this spring. In 1950, prices of hogs and cattle are likely to average lower than in 1949. Lower prices for dairy and poultry products than a year earlier are likely to continue as a price weakening influence on many byproduct feeds in the next few months. Large stocks of wheat in CCC hands may cause supplies in private trade channels to become more limited in the April-June quarter than a year earlier. Prices received by growers for most fruits are likely to average higher in March and April than in February. Farmers are likely to receive substantially lower average prices for most commercial truck crops for fresh market in March and April than in the same months a year ago. Only seasonal increases in prices of 1949-crop sweetpotatoes are expected for the rest of the season. Demand for cigarette tobacco in the season ahead is likely to continue relatively strong. U. S. exports of tobacco are not expected to be as large in 1950 as in the previous year.

OUTPUT AND EMPLOYMENT

Overall industrial activity in January continued to recover, rising to the highest level since April 1949. The Federal Reserve Board's index of industrial production, seasonally adjusted, was 183 (1935-39=100) in January, 2 percent above December and 14 percent higher than in the 1949 low reached in July. Increases in activity in both durable and nondurable goods industries more than offset a decline in the production of minerals resulting from the work stoppage in coal. In January 1949, the index was 191.

Preliminary reports indicate that total industrial output in February was down somewhat from the January rate as a result of work stoppages in the coal industry and in some automobile plants. Steel operations were also somewhat lower in February largely because of reduced coal supplies.

Durable goods production rose substantially in January. The index of total durable goods output was 210, about 3 percent higher than in December and 20 percent above the 1949 low in October. Steel production continued to rise during the month, and motor vehicle output recovered to the record rate of September 1949. Steel operations during the month were scheduled at about 94 percent of new rated capacity, compared with actual operations of 91.5 percent of new rated capacity in December. The new rated capacity is 3 1/2 percent larger than a year ago. Output of non-ferrous metals and machinery was also higher while lumber production declined.

Nondurable goods output also rose above December. The index of nondurable goods production was 179 in January, 2 percent above December and only 1 percent below the all time peak. Increases in output of textiles, chemicals, paper and products accounted for most of the rise. Production of most other nondurable groups was virtually unchanged from December.

Total output of minerals declined 1 percent in January, reflecting lower rates of production of coal and crude petroleum.

Construction activity continued at a record rate in January as mild weather in many sections of the country permitted work to continue on many private and public projects. The total value of new construction put in place declined less than seasonally from December to 1.5 billion dollars, 16 percent higher than in January 1949 and the highest total for the month on record.

Private outlays for all types of new construction totaled about 1.1 billion dollars, 14 percent higher than in January a year earlier. Construction of private housing continued at a record pace and accounted for nearly 60 percent of all new construction started. Outlays on new housing were estimated at 650 million dollars, 37 percent larger than in January 1949. New nonfarm dwelling units started in January totaled 80,000 units, an increase of 1,000 units over December and 30,000 or 60 percent over January 1949. Expenditures for new industrial plants, on the other hand, continued well below a year earlier and outlays on commercial structures were also lower than in January last year.

Public expenditures declined less than seasonally from December and were 24 percent higher than in January a year ago. Most of the decline from December was in highway construction and conservation work. Institutional building was unchanged from December and continued well above a year earlier.

Seasonal declines in farm and construction employment and the mid-winter lull in trade were largely responsible for the drop of 1.7 million persons in total civilian employment from December to January. Total civilian employment, at 56.9 million persons, was .5 million lower than in January a year earlier. Nonagricultural employment, estimated at 50.7 million persons, was about the same as in January 1949, but 1.1 million below December.

The civilian labor force declined less than employment. As a result unemployment, at 4.5 million persons, was about 1 million greater than in December and about 1.8 million above January 1949. The rise from December brought the rate of unemployment up to 7.1 percent of the labor force, compared with 5.5 percent in December and 4.3 percent in January a year ago. The number of long-term unemployed increased somewhat in January after remaining virtually stable since last August. In January about 950,000 persons were out of work 15 weeks or more compared with 820,000 in December and 300,000 in January 1949.

INCOME AND RELATED FACTORS

Personal income in December totaled 211.5 billion dollars (seasonally adjusted annual rate), compared with 209.4 billion in November and 217.0 billion in December 1948. The rise from November resulted largely from increases in salary and wage receipts and in dividend payments. Increases in

income from these sources more than offset a rather marked decline in proprietors' income. Salary and wage receipts in December totaled 134.1 billion dollars, compared with 132.5 billion in November and 137.1 billion in December 1948. The higher rate of these receipts in December than in the previous month largely reflected the substantial increase in pay rolls in manufacturing industries. Hourly earnings of workers in manufacturing industries reached an all-time high in December. Dividends and personal interest income increased to 19.1 billion dollars, 1.7 billion higher than in November and 2.1 billion above December 1948. Proprietors' and rental income declined to 43.4 billion dollars, compared with 44.9 billion in November and 50.3 billion in December 1948. Income of both farm and nonfarm proprietors dropped from the rates of the previous month.

Payments of the 2.8 billion dollars veterans' insurance dividend were started January 16. By February 24 about 1,167 million dollars had been disbursed. Since the U. S. Department of Commerce series on personal income are on an annual rate basis the influence of these payments alone should add about 5 to 10 billion dollars to the annual rate of personal income during the first four or five months in 1950. These dividends are nontaxable. Disposable personal income, therefore, will also increase by the same amount.

Dollar sales at department stores dropped somewhat more than usual from December to January. The Federal Reserve Board's index of sales, seasonally adjusted, was 284 (1935-39=100) in January, compared with 293 in December and 295 in January 1949. Sales fell off sharply in the first two weeks of January, then recovered later in that month to levels slightly above those of a year earlier. In the first 3 weeks of February, sales were about the same as a year ago. For the period January 1 - February 18, they averaged 4 percent below those in the same period of 1949.

BUSINESS INVESTMENT PLANS FOR 1950

Although declining from peak levels, business outlays for plant and equipment in 1949 were relatively heavy and a major sustaining force in the economy.

Surveys of industry's plans for investment were published recently by the SEC - U. S. Department of Commerce and by the McGraw-Hill Publishing Company, the former covering anticipated expenditures for the first quarter of 1950 and the latter for the entire year 1950. An SEC - Commerce survey of anticipated capital expenditures for the full year 1950 will be published in the near future.

Results of the McGraw-Hill survey indicate that business plans to reduce its capital outlays in 1950 about 13 percent below 1949. The SEC - Commerce results for the first quarter of 1950 indicate a decline of 14 percent from the first quarter of 1949. If these anticipated expenditures by business are realized capital outlays in the first quarter of 1950 will be substantially below those of a year earlier and will remain fairly stable for the rest of the year.

Table 1.- Capital investment in new plant and equipment

(Expenditures in millions of dollars)

	1949	1950	Percentage change from 1949 actual
	Actual expenditures	Planned expenditures	
All manufacturing	7,200	6,300	- 13
Steel	520	445	- 14
Machinery	530	460	- 13
Electrical machinery	200	135	- 32
Automobiles	420	550	+ 31
Transportation equipment	145	95	- 34
Chemicals	1,100	1,040	- 5
Petroleum refining	700	580	- 17
Textiles	410	360	- 12
Food	600	585	- 3
Other manufacturing	2,575	2,050	- 20
Railroads	1,310	735	- 44
Other transportation and communications	1,880	1,695	- 10
Electric utilities	2,220	2,180	- 2
Gas utilities	940	870	- 7
Mining	750	620	- 17
All industry	14,300	12,400	- 13

Source: McGraw-Hill Publishing Company

All major groups, except automobiles, expect to curtail expenditures in 1950, according to the McGraw-Hill survey. Rather sharp cuts are planned by the electrical machinery and transportation industries.

Automobile manufacturers, on the other hand, expect to increase their capital outlays in 1950 by about one-third. Part of this increase planned by the automobile manufacturers for 1950 represents the deferment of capital outlays planned for 1949.

Capital outlays in manufacturing industries in 1948 were about evenly divided between expansion of capacity and replacement or modernization. No comparable figures are available for 1949 but plans for 1950 call for a distribution of only 35 percent for expansion and 65 percent for replacement. The chemical industry expects to channel about 75 percent of its outlays into expansion projects, while all durable goods industries, except automobiles, plan to devote only 15 percent of their total for this purpose.

The financing of these outlays will be made largely from internal sources such as depreciation reserves and retained earnings. Manufacturing industries plan to finance about 92 percent of their expenditures internally; mining firms about 85 percent; and railroads, 68 percent. Automobile, transportation equipment, electrical machinery, chemical, and petroleum firms expect to finance virtually all of their expenditures from their retained earnings and depreciation reserves.

COMMODITY PRICES

The general level of wholesale prices has been stable in recent months. The BLS wholesale price index in January was 151.6 (1926=100), compared with 151.3 in December and 151.6 in November. Since November declines in farm and food products have been almost entirely offset by slight increases in prices of industrial items as a group, with the result that only fractional changes were registered by the all-commodity index. All commodity prices in January averaged 6 percent below those of January 1949 and 11 percent below the all-time peak in August 1948.

In late February prices of farm products and foods advanced somewhat, while those of industrial commodities remained virtually unchanged. As a result, the average of all wholesale prices during the week ending February 21 was about 1 percent higher than those of four weeks earlier.

Table 2.- Group indexes of wholesale prices, week ended February 21, 1950 with comparisons

Group	(1926-100)					
	: Week :	: Week :	: Week :	Week ended Feb. 21, 1950		
	: ended :	: ended :	: ended :	percentage change from		
	: Feb. 21, 1950 :	: Jan. 24, 1950 :	: Feb. 25, 1949 :	: Jan. 24, 1950 :	: Feb. 25, 1949 :	
All commodities	: 152.5	: 150.7	: 159.5	+ 1.2	- 4.4	
Farm products	: 159.4	: 153.2	: 169.2	+ 4.0	- 5.8	
Food	: 158.3	: 154.5	: 162.8	+ 2.5	- 2.8	
All other than farm and food	: 145.2	: 145.1	: 152.9	+ .1	- 5.0	
Textile products	: 137.0	: 137.4	: 145.7	- .3	- 6.0	
Fuel and lighting materials	: 130.3	: 130.3	: 137.3	0	- 5.1	
Metals and products	: 169.4	: 169.5	: 175.5	- .1	- 3.5	
Building materials	: 191.5	: 190.3	: 202.1	+ .6	- 5.2	
Chemicals and allied products	: 115.3	: 115.8	: 124.8	- .4	- 7.6	

Bureau of Labor Statistics

However, prices of all groups of commodities in late February were below a year ago. Wholesale prices of farm products were down 5.8 percent from the same week in 1949; those of food products were off 2.8 percent; and prices of industrial items were 5 percent lower.

Farm product prices in mid-February were up from the previous month as increases in prices of meat animals, cotton, tobacco, feed grains and fruit more than offset declines in truck crops, dairy products and eggs. The new BAE index of prices received by farmers in mid-February was 237 (1910-14-100), one percent above January, but 7 percent below February a year earlier. Prices of all crops averaged about 2 percent lower than in January entirely reflecting a sharp decline in prices of truck crops. Livestock and livestock products combined registered a 3 percent increase from the previous month as seasonal increases in meat animal prices more than offset declines in prices of dairy products and eggs.

Table 3.- Group indexes of prices received by farmers February 15, 1950
with comparisons

Group	(1910-14=100)			February 15, 1950	
	Feb. 15, 1950	Jan. 15, 1950	Feb. 15, 1949	percentage change from	
				Jan. 15, 1950	Feb. 15, 1949
Food grains	219	218	223	1/	- 2
Feed grains and hay	171	170	171	+ 1	0
Cotton	231	222	245	+ 4	- 6
Tobacco	389	382	404	+ 2	- 4
Oil-bearing crops	228	228	262	0	-13
Fruit	186	185	198	+ 1	- 6
Truck crops	203	261	267	-22	-24
All crops	215	219	234	- 2	- 8
Meat animals	306	286	309	+ 7	- 1
Dairy products	250	254	265	- 2	- 6
Poultry and eggs	155	158	216	- 2	-28
Livestock and products	257	249	275	+ 3	- 7
Crops and livestock and products	237	235	255	+ 1	- 7

1/ Less than one-half percent increase.

Compared with a year earlier, prices received by farmers were down 7 percent. Prices of all groups of commodities were below year-ago levels with those of poultry and eggs and truck crops off the most.

Continued strong demand for farm products, and price support programs are likely to maintain the average of prices received in the next two months at about the February level.

Prices paid by farmers, interest, taxes and wage rates in mid-February averaged slightly lower than in the previous month. The new BAE index of prices paid, interest, taxes and wage rates was 248 (1910-14=100), compared with 249 in January and 252 in February a year ago. Slightly lower food, clothing, feed and building materials prices in February than in January more than offset increases in prices of livestock bought by farmers. The increase in the average of prices received together with the drop in prices paid raised the parity ratio (index of prices received divided by the index of prices paid, interest, taxes and wage rates) to 96 in mid-February, 5 points below that of February 1949.

Prices paid by moderate income families in large cities again declined slightly in January. The BLS consumers' price index in January was 166.9 (1935-39=100), compared with 167.5 in December and 170.9 in January a year earlier. The average level of these prices in January was lower than at any other time since February 1948 and 5 percent below the peak reached in August and September 1948. Prices paid for food averaged lower than in December largely as a result of lower prices for meat, poultry and eggs. Prices paid for clothing and housefurnishings also averaged lower. Rents continued to rise slightly, and prices paid for fuel also were up fractionally.

AGRICULTURAL EXPORTS

The value of U. S. agricultural exports in 1949 totaled about 3.6 billion dollars compared with 3.5 billions in 1948 and the record of almost 4.0 billions in 1947. Part of the decline since 1947 was due to lower prices. The average annual value of agricultural exports in 1935-39 was 748 million dollars. In the first half of 1949, the total export value of farm products exceeded 2 billion dollars, almost as large as that in the first half of 1947. In the second half of 1949, the export value was the lowest in the postwar period, largely due to smaller shipments of grains and other foodstuffs.

The most striking feature of the changes that have taken place in agricultural exports between 1947 and 1949 has been the substantial decline in food exports in contrast to the marked increase in exports of non-food agricultural products. Total food exports were 30 percent lower in value in 1949 than in 1947 while the total value of agricultural non-food exports was 71 percent greater, with value of cotton exports up 105 percent.

Table 4.- Value of exports of U. S. agricultural products 1947-49 1/

(Millions of dollars)					: Percentage : change from : 1947 to 1949
Commodity group	: 1947	: 1948	: 1949		
Grains and grain preparations	: 1,881	: 1,716	: 1,459		- 22
Other foods	: 1,266	: 881	: 734		- 42
Total food	: 3,147	: 2,597	: 2,193		- 30
Cotton and linters	: 427	: 511	: 874		+105
Tobacco, unmanufactured	: 271	: 215	: 251		- 7
Other agricultural non-foods	: 112	: 151	: 257		+129
Total agricultural non-foods	: 810	: 877	: 1,382		+ 71
Total agricultural products	: 3,957	: 3,473	: 3,575		- 10

1/ Includes exports by the Army for the supply of foreign civilians in occupied areas.

The recovery of agricultural production in Western Europe between 1947 and 1949 has reduced Western Europe's need for food imports but not for agricultural non-food imports. In prewar years, the agriculture of Western Europe was mainly concerned with food production. No cotton and very little tobacco and other agricultural non-foods were produced. Therefore, as agricultural production in Western Europe recovered between 1947 and 1949 Western Europe's demand for imports of foods was reduced. On the other hand, the improvement in economic activity and the European Recovery Program have resulted in increased foreign takings of U. S. cotton and have generally maintained exports of tobacco.

In 1948, the latest year for which figures are available, about 60 percent of the value of U. S. food exports and about the same percentage of U. S. export of other agricultural products went to countries participating in the European Recovery Program.

According to estimates of the Office of Foreign Agricultural Relations, bread-grain production in ERP countries in 1949 was 56 percent larger than in 1947, the production of livestock products was 21 percent larger and the combined production of all foods was 18 percent larger.

Compared to prewar, the 1949 production of bread-grains was 4 percent larger, the production of livestock products was 12 percent smaller and production of all foods was only 3 percent smaller. However, Western Europe's needs for food are much larger now than before the war since the population has increased about 10 percent. In addition, the large imports of foodstuffs into Western Europe from Poland and the Danube Basin in pre-war years have been reduced to about one-fifth of their former volume.

FARM INCOME

Realized net income of farm operators in 1949 is now estimated at 13.8 billion dollars, down 17 percent from 1948. Gross income dropped 10 percent to 31.8 billion dollars, but production expenses declined only 3 percent to 18.0 billion dollars. Cash receipts from farm marketings in 1949 totaled approximately 27.5 billion dollars, or 10 percent less than the year before.

Farmers' cash receipts from marketings this February were about 1.6 billion dollars, 24 percent below January and 9 percent less than February 1949. Farm prices in February averaged slightly higher than in January, but they were 7 percent below a year ago. Marketings were down from the previous month, partly because of fewer marketing days in February.

Cash receipts from livestock and products were probably close to 1.0 billion dollars, 10 percent below January and 8 percent less than in February 1948. Smaller marketings held cash receipts from meat animals below the January level, and lower prices than a year ago accounted for a small percentage decline from February of last year. Dairy and poultry receipts were slightly below January, but the drop from last February was greater in each case.

Crop receipts were around .6 billion dollars, 38 percent below January and probably 9 percent less than a year ago. Receipts from nearly all crops were down seasonally, with marketings substantially lower and prices of most crops down a little. Receipts from wheat, corn, cotton and vegetables were somewhat below those of February 1949; fruits and oil-bearing crops were about the same; and tobacco receipts were somewhat higher.

In the first 2 months of 1950, farmers received about 3.7 billion dollars from marketings, 10 percent below the same period last year. Receipts from livestock and products were about 2.1 billion dollars, down 11 percent, and crop receipts about 1.6 billion dollars, 8 percent below the first 2 months of 1949. Meat animals, dairy products, and poultry and eggs were all down, mostly because of lower prices. Receipts from wheat and corn were less than in January and February of last year because of both lower prices and smaller marketings. Oilbearing crops, vegetables, and fruits and nuts were about the same but tobacco was a little higher because of large marketings.

LIVESTOCK AND MEAT

Prices of meat animals were generally steady through February in contrast with the sharp breaks in February of both 1948 and 1949. Prices for all meat animals except hogs were about equal to or above those of February 1949 and compared favorably with the general postwar level except for the highest months of 1948. Prices of hogs have drifted downward the past year and one-half, and although rising seasonally since early January are continuing lower than a year ago.

Prices of hogs are expected to decline this spring as hogs from the 1949 fall pig crop come to market. The reduction may be larger than seasonal since the number of hogs slaughtered, which recently has been about equal to last year, will exceed 1949 from April to about mid-June. Increased slaughter in those months will reflect the larger number of pigs saved last August and September than a year previously.

Prices of cattle of the better grades are likely to decline seasonally until early summer. Last year they advanced steadily after breaking sharply in February. Marketings of Good and better cattle have been small to date this year, but are expected to increase seasonally although the peak will be later this year than last.

Since last October, total production of meat has been nearly the same as a year earlier. Beginning this spring it will probably exceed the comparable 1949 level. Consumption of meat per person will total less in the first quarter this year than last, but in the second quarter and in 1950 as a whole is expected to be larger than last year.

The total supply of meat has been about the same this winter as last, but the over-all average prices of meat animals and meat have been lower. This is evidence that demand for meat is somewhat weaker. Consumers' incomes have slipped off since last winter. In addition, the retail value of meat consumed is slightly lower relative to incomes. The weakening in demand for meat and the increase in supplies indicate that prices of hogs will average lower in 1950 than last year. Prices of cattle are likely to average slightly below 1949.

In a longer outlook, prices of cattle may decline much as hog prices have done. Cattle numbers of 80.3 millions on January 1, 1950 were up 2.2 million head from their 1948 low. There is much interest in further expansion of herds. Rising numbers will eventually result in an expanding annual slaughter of cattle and calves--probably beginning in 1951.

Although the number of sheep and lambs on farms was down again to a record low this January, it dropped less in 1949 than in any year since an 8-year decline began in 1942. Sheep numbers probably will be maintained or increased in 1950. The number of sheep and lambs slaughtered this year will probably be even smaller than the low number in 1949. A material increase in slaughter will not occur for several years.

Much of the effect of the increase in pig crops on pork supplies the past year has been offset by lighter slaughter weights of hogs. Since farmers plan to increase this year's spring pig crop only 6 percent over a year earlier compared with the 15 percent increase in the 1949 spring crop, it is possible that 1950 pork production will be near its cyclical peak. Consequently, prices of hogs may be more nearly stabilized after 1950. Since sheep and lambs will be last to increase in number, their prices may be the last to begin a material decline.

DAIRY PRODUCTS

Prices of milk for fluid purposes declined slightly in the Northeastern United States in early January 1950, but continued essentially unchanged in other sections. Prices of this milk are likely to decline further as production increases seasonally. The average price paid by dealers in 131 markets for milk for city distribution (3.5 percent test) in February was \$4.63 per hundred pounds compared with \$4.66 in January 1950 and \$5.04 in February 1949.

Prices of milk for manufacturing will continue relatively stable through 1950, after adjustments for the seasonal change in butterfat content. Prices of the various manufactured dairy products have been steady for several months. Compared to a year ago, in mid-February they ranged from about the same to about 10 percent lower.

The number of cows in the United States increased 1 percent in 1949 and on January 1, 1950 was 11 percent below the mid-1940's peak. Among regions, however, there were divergent movements. In the West North Central region, numbers declined again for the sixth consecutive year. Numbers were unchanged in the East North Central States. On the two coasts, however, cow numbers increased 2 percent during 1949.

Output per cow in 1949 reached a new high of 5,239 pounds, an increase of 4 percent over 1948 and 19 percent over the immediate pre-war period. Total milk output, at 119.1 billion pounds, was 3.3 percent greater than a year earlier and, though more than 2 billion pounds below the 1945 peak, was still 15 percent over prewar. Milk flow continued large through January 1950, 4 percent greater than the output of January 1949. Total output for 1950 is likely to exceed the last year's output since cow numbers are expected to be slightly greater and a high rate of concentrate feeding will continue.

Butter and cheese prices were a little above support levels in some localities in the past 2 months. From January 1 up to mid-February about 5 million pounds of butter and 2 million pounds of cheese had been resold to the trade from Government stocks. Production of these items nearly equaled consumption by mid-February. No nonfat dry milk has been resold to private firms and in early February, the Department announced that this product would be made available free at points of storage, to public welfare agencies. As of February 17, unsold USDA supplies of dairy products purchased under price support were: 87.5 million pounds of butter, 23 million pounds of Cheddar cheese and 207 million pounds of nonfat dry milk. Assuming a further increase in farm milk output, USDA purchases in 1950 as a whole are likely to exceed 1949 volume.

POULTRY AND EGGS

The average price received by farmers for eggs in mid-February, 29.6 cents per dozen, may have been near the springtime low for 1950. Any tendency toward further weakness in prices is likely to result in an increased volume of sales of dried eggs to the Department of Agriculture. Purchases of dried eggs are made from processors who pay producers an average of at least 25 cents per dozen. Purchases in the first 2 months of 1950 exceeded those of the same months of 1949. Egg prices, though still low at the end of February increased somewhat from earlier in the month.

Chicken prices are also low. At 21.8 cents per pound in mid-February, chicken prices were 1.5 cents higher than a month earlier, but lower than the average for any month in 1949, and 18 percent lower than the 1949 average.

Farmers intend to buy 12 percent fewer baby chicks for flock replacements in 1950 than in 1949. These intentions, if carried through, will gradually reduce supplies of eggs and poultry meat sometime after midyear. However, the prospective reduction is not expected to be large enough to restore prices of eggs and poultry to the average levels prevailing during the latter months of 1949. Egg supplies in the next 15 months will probably be sufficient to support a per capita consumption rate greater than that which was achieved in 1949. Despite the prospective decline in supplies of farm raised young chickens, expected large supplies of mature farm chickens, broilers from specialized producing areas and pork will tend to keep chicken prices near present levels.

An appreciable movement of shell and frozen eggs to cold storage has begun. Rates of in-movement in late February were as heavy as the rates which might normally be expected much later in the season. Last year, it was not until the end of March that the weekly storage accumulation of shell and frozen eggs in 35 major cities was at the level attained this year in the week ending February 25. If this rate continues, total storage holdings may exceed last year's peak before the flush egg production period is over.

The January 1950 egg-laying flock, numbering 7 percent more birds than a year before, laid at a record high rate, and egg output is likely to continue high through the spring.

FATS AND OILS

The index number of wholesale prices of 26 major fats and oils (excluding butter) in February was about 145 (1935-39=100), the same as a month earlier but 39 points lower than in February 1949. Prices of edible vegetable fats and oils averaged slightly higher in February 1950 than in January, increasing rather sharply in the latter half of the month. Purchases of lard, soybean oil, and soybeans to fill ECA authorizations, mainly for Germany and Austria, continued to be a leading price-supporting factor for edible fats and oils.

The total value of soybean oil and meal per bushel of soybeans crushed declined from early December to mid-February, as declines in the price of soybean meal more than offset the effect of moderate increases in the price of soybean oil. However, the average price paid farmers for soybeans increased from \$2.09 per bushel in mid-December to \$2.11 in January and \$2.12 in February. This is about the same as the support price for No. 1 or No. 2 green or yellow varieties. A total of 15 million bushels of soybeans, 6.7 percent of the 1949 crop, had been placed under loan or purchase agreement with CCC by January 31, the closing date for this program. In the latter half of February there was a fairly sharp advance in prices of soybean oil, soybean meal, and soybeans.

Total factory and warehouse stocks of fats and oils on January 1, including government holdings were 2.1 billion pounds. This was 0.4 billion pounds larger than a year earlier and was above 2 billion pounds for the first time on a January 1 since 1945. However, the total of 2.1 billion pounds included CCC holdings of about 400 million pounds of linseed oil and nearly 100 million pounds of butter, compared with holdings of about 32 million pounds of linseed oil January 1, 1949. Also included were some coconut and palm oils stock-piled during 1949 for the Munitions Board. Commercial factory and warehouse stocks of fats and oils on January 1, this year were smaller than a year earlier and were well below the January 1, 1937-41 average of 2.2 billion pounds.

Production of fats and oils from domestic materials (including oil equivalent of exported oilseeds) in January-September 1950 probably will be about as large as the 8.5 billion pounds produced a year earlier. Output of butter, lard, and inedible tallow and greases will be larger, but the production of edible vegetable oils (including the oil equivalent of exported oilseeds) will be smaller. Exports of shelled peanuts will be much smaller than in January-September 1949. Production of soybean and cottonseed oils is likely to decline materially in July-September, compared with a year earlier, unless the soybean crop again matures unusually early, as it did last year, and unless the yield of cottonseed per acre is exceptionally high.

CORN AND OTHER FEED

Prices of feed grains in February continued near the January level, and averaged slightly higher than a year earlier. Prices of most of the byproduct feeds, on the other hand, declined from January to early February. In the last half of the month they advanced somewhat, but in general averaged lower than a year earlier. Prices of animal protein feeds, which have declined sharply from the record high of last summer, in early February reached the lowest level in over a year. The large quantities of feed grains under loan and increased livestock numbers will give support to feed grain prices in the first half of 1950. Prices of dairy and poultry products, however, are generally lower than a year

earlier, which at least partly offsets the effect of increased livestock production, and may continue as a price weakening influence on many of the byproduct feeds in the next few months.

Stocks of corn, oats, and barley on January 1 totaled 97.9 million tons, 3 percent larger than the previous record stocks for that data in 1949. Of this quantity about 16 million tons were under loan or in Government ownership. Excluding the quantities held in the loan programs, stocks of these grains were about 10 percent less than a year earlier.

Preliminary reports on 1949 Government loan programs on 1949 oats, barley, and sorghum grains through January, the end of the loan period for these grains, reveal that record quantities of oats, totaling 39.3 million bushels, and sorghum grains, totaling 78.5 million bushels, were placed under loan and purchase agreement. The quantity of barley placed under price support totaled 32.3 million bushels, considerably smaller than the record of 49.5 million bushels from the 1948 crop. Through January farmers had placed 205.6 million bushels of corn under price support, considerably more than for the same period of 1948-49.

Total utilization of feed grains is expected to be larger in 1949-50 than in 1948-49 as there are more livestock on farms and farmers are feeding their livestock liberally. The total stocks of corn, oats, and barley carried over into the 1950-51 season are expected to be about as large as or a little larger than the 30 million tons carried over into 1949-50, but a large part of this total will be under loan or in Government ownership.

WHEAT

Cash wheat prices are currently above loan levels. On February 27, the price of No. 2 Hard Winter at Kansas City was 4 cents above the loan level of \$2.20 per bushel for ~~that~~ market. On January 31, when the loan period for the 1949 crop ended, there were 368 million bushels under loan and purchase agreement, the same as for the 1948 crop a year earlier. Of this 74 were under loan on farms, 250 were under loan in warehouses, and 44 under purchase agreements. In addition through January 31, about 4 1/2 million bushels of 1948 wheat had been resealed on farms.

CCC inventories of wheat on January 1, were estimated at about 150 million bushels. Wheat owned at present plus the quantity under loan and purchase agreement gives a total of about 500 million bushels. These large stocks may cause wheat supplies in private trade channels to become more limited in the April-June quarter than a year earlier.

In the five principal hard winter wheat States of the Southwest, very large quantities are under the support programs. These quantities added to those already used by mills and moved out of the area apparently leave only relatively small supplies available to the trade. If commercial supplies prove to be too small to maintain mill operations, prices would need to advance about \$2.35 to \$2.40, basis No. 2 Hard Winter at Kansas City, to cover the loan of \$2.20 plus accrued charges. In any event it is expected that a very large part of the carry-over on July 1, 1950 will be owned by CCC.

Exports of wheat and wheat products are running behind recent years, amounting to the equivalent of only 193 million bushels in July-January compared with 310 million bushels for the same period a year earlier. Exports for the 1949-50 year are now expected to total about 375 million bushels. This is down about 128 million from last year's 503 million-bushel all-time record. While this would be the smallest in 5 years, it would still be large compared with prewar. Total disappearance, estimated at 1,065 million bushels, would be the smallest since 1942-43, and would leave a carry-over of about 390 million bushels, an increase of 83 million from a year earlier and the highest since the 619 million bushels on July 1, 1943.

FRUIT

Prices that growers will receive for most fruits are expected to be slightly higher in March and April than in February. This will result mainly from seasonally declining supplies of apples and pears, reduced supplies of oranges because of January freezes, and stronger demand for oranges and grapefruit for processing. Although prices for oranges and grapefruit are expected to continue considerably above the levels of a year ago, those for apples probably will remain somewhat lower.

Under the stimulus of rising prices, market movement of apples and pears was heavy during January. As a consequence, cold storage stocks of apples on February 1 were only slightly larger than usual for that time of year, while stocks of pears were smaller. Both grower and terminal market prices for these two fruits advanced further in February, and additional increases seem likely for March and April. Through February 25 this season nearly 1.7 million bushels of apples had been declared for export under the Government export-payment program and about 2.8 million bushels of fall and winter apples had been purchased by the Government for distribution through the School Lunch and institutional feeding programs. Under the export-payment program for winter pears, which has been terminated, approximately 135,000 boxes had been declared for export.

With supplies of grapefruit remaining to be marketed after February 18, slightly smaller than a year earlier and demand continuing strong, grower prices for grapefruit probably will continue at the high February levels. Remaining supplies of oranges were the same as a year earlier; however, strong demand for processing is expected to hold prices considerably above last year's levels. Nearly one-third more oranges in all States had been processed through February 18 this season as in the same part of the 1948-49 season, while the quantities used fresh had been about one-fifth smaller. Through February 18 this season, production of frozen concentrated orange juice in Florida was more than 2 1/2 times that of the corresponding part of the 1948-49 season and the pack of canned orange juice was about 38 percent larger. In contrast, the pack of canned grapefruit juice was 33 percent smaller and that of blended orange and grapefruit juice was 21 percent smaller.

Supplies of strawberries will be somewhat larger during late winter and spring than in the same time of 1949 if growing conditions continue favorable on the slightly larger acreage this year. Cold-storage stocks of frozen strawberries on February 1, 1950 were 50 percent smaller than stocks on that date in 1949. Total stocks of frozen fruits were about 12 percent smaller than on February 1, 1949.

COMMERCIAL TRUCK CROPS

For Fresh Market

Prices received by farmers for most commercial truck crops produced for marketing fresh in March and April are expected to be considerably lower than those received in the same months last year. Aggregate production of 18 crops for the winter season, January through March, is estimated to be 10 percent larger than that produced last winter, and 25 percent larger than 1939-48 average for this season. Prospective production is 20 percent or more higher this winter than last for beets, lettuce, green peas and spinach. On the other hand, production will be below last winter for lima beans, snap beans, cauliflower, eggplant, kale, green peppers, shallots and tomatoes. Production of the latter 2 is down more than one-third from last winter.

Indicated acreages for harvest are smaller than last year for early spring asparagus, cabbage, and cauliflower, but larger for late spring asparagus, cabbage and watermelons. Early spring acreage of onions indicated is more than double that of last year, but that of late spring onions is only slightly higher than last year.

For Processing

The major item in the outlook for processor demand for acreage contracted for crops to be canned or frozen is the present stock

situation, which varies considerably by commodities. Combined stocks of canned vegetables in the hands of packers and wholesale distributors this January were substantially higher than a year earlier for snap beans, corn, asparagus and spinach. Demand for processing acreage in these crops probably will be weaker this spring than last. On the other hand, stocks of canned green peas, tomatoes, tomato juice, tomato catsup and chili sauce, tomato sauce, and pumpkin and squash are substantially smaller than a year earlier, and the outlook is brighter, therefore, for these crops. Demand for acreage for vegetables to be frozen probably will not be quite as strong this spring as last because current stocks of frozen vegetables in storage are a record.

Consumer demand for canned and frozen vegetables is expected to continue about as strong this spring as it was last spring.

DRY EDIBLE BEANS AND PEAS

Price-support for 1950-crop dry edible beans of eligible classes will be available at levels reflecting about 75 percent of parity to farmers who plant within their acreage allotments. Support for the 1949 crop was based on 80 percent of parity. The 1949 crop and the stocks on January 1, 1950 were record large. Prices received by farmers for most classes of dry beans probably will continue to rest heavily on support prices for the next several months.

No price support is contemplated for 1950-crop dry field peas. Support for the 1949-crop has been based on 60 percent of the July 1, 1949, comparable (parity) price. Current supplies are about in line with anticipated moderate domestic demands and reduced export demands. Prices to growers probably will remain close to support levels for the next several months.

POTATOES AND SWEETPOTATOES

Eligible grades and sizes of potatoes of the 1950 crop will be supported for eligible farmers at prices designed to insure price support at 60 percent of parity. The average farm support price for the season is \$1.01 per bushel, 9 cents per bushel below the comparable support price for the 1949 crop.

Potatoes with 2 inch minimum diameter, of U.S. No.1, U. S. commercial, and U. S. No. 2 grades, will be supported at a uniform price, but support for U. S. No. 1, Size B, grade (1-1/2 to 2 inches in diameter) will be at a lower level. The schedule of support prices

by months and States announced February 1, 1950 applies to potatoes sacked and loaded, and washed in States or areas where washing is determined to be a general practice. Support prices are being withheld in 8 areas until determination can be made of the action to be taken in those areas with respect to the adoption of a proposed marketing agreement and order now under consideration in those areas. Support operations in individual areas may be limited to the normal marketing period for these areas, and may be curtailed or suspended in individual areas when average prices are or have been such as to give eligible growers a reasonable opportunity to obtain a season average price for merchantable potatoes at least as high as the season average support price for the area.

Price-support purchases of 1949-crop potatoes are continuing. Price-support purchases of 1949-crop potatoes through February 27 totaled slightly more than 29.5 million bushels and further support purchases are expected. At the same date last year, purchases of 1948-crop potatoes totaled more than 104 million bushels.

Prices received by farmers for 1949-crop sweetpotatoes continue moderately below those received a year earlier, primarily because of the larger supply this year. Only seasonal increases in prices are expected for the rest of the season. Price-support for the 1950 crop is not contemplated. Acreage planted in 1950 may be somewhat larger than that in 1949 primarily because of reduced acreages in other crops.

COTTON

Spot prices of cotton advanced about 1-1/4 cents per pound between mid-January and mid-February to the highest level this season. Middling 15/16 inch averaged 32.23 cents per pound in the ten spot markets on February 14, compared with 30.92 cents per pound a month earlier. Current prices of Middling 15/16 inch in the ten spot markets are about 2-1/2 cents per pound above the equivalent loan rate. Some qualities are as much as 5 cents per pound above the equivalent loan rate.

Both domestic mill consumption and exports of cotton are above a year ago. For the 6 months, August-January, domestic mill consumption was 4,340,000 bales compared with 4,200,000 bales for the corresponding period last season. Exports, August-December were 1,885,000 bales compared with 1,482,000 bales last season. December exports of 657,000 bales were the highest for any month since February 1940. Based on trade estimates during January, exports plus consumption for the period August 1 through January 28 were about 6-2/3 million bales, an increase of 11 percent over the corresponding period last season.

For the week ending February 16, CCC loans were reported on 43,211 bales compared with 69,781 for the corresponding week last season. Total CCC loans in 1949 crop cotton through February 16 were reported at 3,073,000 bales compared with 4,633,000 last season.

WOOL

After the opening of auctions in the British Dominions early in January, prices of wool advanced rapidly until January 28 when prices in all foreign markets were as much as 15 percent above the December level. During the following week, prices declined from 5 to 10 percent. In terms of dollars, prices of fine wool in foreign markets are now between 15 and 20 percent below the levels of early 1949. Prices of imported wool at Boston followed the general pattern established in foreign markets. In mid-February, Australian type 77, 64's/70's good topmaking wool, was quoted at 156.0 cents per pound, clean basis, in bond. This compares with the price of \$1.42 immediately before devaluation, \$1.12 immediately thereafter, and \$1.85 early in March 1949.

The average price received by farmers for shorn wool in February 1950 was 48.7 cents per pound, grease basis. This compares with 47.2 cents received in January and 52.6 cents in February 1949. The average price for 1950 probably will be a little lower than in 1949, although the support price probably will average 2 to 3 cents higher.

Domestic consumption of 343 million pounds of apparel wool, scoured basis, in 1949 was 29 percent below the quantity consumed in 1948 and the lowest since 1940. A decline in retail sales, together with higher level of prices of raw wool and woolen and worsted fabrics, probably encouraged a reduction of inventories in manufacturing and distribution channels during the first half of the year. Consumption since August probably has been more in line with current sales of wool products.

Imports of dutiable wool during 1949 totaled 262 million pounds, actual weight. On a clean basis, this was about 155 million pounds, equivalent to about 45 percent of domestic consumption.

TOBACCO

Nearly all of the 1949 tobacco crop has been marketed at prices averaging a little lower than those received for the 1948 crop. Burley auctions closed February 17 and prices for the season averaged about 45 cents--1 cent below last season. Dark air-cured tobacco auctions were concluded by February 15 and prices for the season averaged 28.2 cents per pound compared with 28.7 cents a year earlier. The Kentucky-Tennessee fire-cured (types 22-23) auctions were near closing

by the first week of March. Auction prices for types 22-23 averaged 28.8 cents per pound for the season's sales through February 28, about 8 percent lower than last season. Virginia fire-cured (type 21) auction closed February 16 and prices for the season averaged a record 33.5 cents per pound compared with the previous high of 32.9 cents last season.

Price support loans were made for the first time on Connecticut Valley Havana Seed (type 52) in late January. No price support operations were put into effect on Connecticut Valley tobacco in prior seasons because market prices were well above the support level. Pennsylvania cigar filler (type 41) has been mostly sold with prices averaging slightly above the 26.3 cents per pound received last season.

Parity prices for tobacco in 1950 as computed under the new method provided by the Agricultural Act of 1949 are generally higher than in 1949. Price supports for flue-cured, Burley, fire-cured, and dark air-cured are likely to be a little above those applying to the 1949 crops. The parity price for flue-cured and burley will be the same in each month of 1950, since the "adjusted base prices" for each type are identical. As if February 15, parity price for flue-cured and Burley were both 48.6 cents per pound. Price supports for flue-cured are based on 90 percent of parity as of June 15 and for Burley, on 90 percent of parity as of September 15. Fire-cured and dark air-cured price supports are calculated at 75 and 66 $\frac{2}{3}$ percent of the Burley loan level.

Demand is expected to be fairly strong for cigarette tobacco in the season ahead. United States cigarette consumption reached a new peak of 352 billion in 1949--3 $\frac{1}{2}$ billion above 1948. However, exports of cigarettes fell off by one-fifth and some further decline may occur.

Most Maryland tobacco goes into cigarettes. The support price for the 1949 Maryland crop that will be auctioned in the late Spring and Summer of 1950 is 41.8 cents per pound--5 percent below last season. Supplies of Maryland tobacco are the highest on record and it seems unlikely that prices will average as high as 54 $\frac{1}{2}$ cents of last season.

United States exports of unmanufactured tobacco in 1949 totaled 498 million pounds valued at 252 million dollars. Both volume and value were one-sixth larger than in 1948. The largest single amount went to Britain, who took just about the same as a year earlier, but Germany got substantially more and became the second ranking foreign outlet. These two and several other western European countries received important financial assistance from ECA in 1949. United States exports of tobacco in 1950 are not expected to be as large as last year. Planned ECA expenditures for 1950-51 are smaller and efforts by several countries to bring trade into closer balance will probably result in some trimming of United States tobacco imports although a sharp drop does not seem likely.

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